

## **Payment for ambulatory surgery services**

### **ISSUE:**

Do current payment policies for ambulatory surgical services encourage excessive growth in the number of ambulatory surgical centers (ASCs) and the volume of procedures they perform? Should the ASC payment system be modified, and, if so, how? Which ambulatory care setting – ASCs, outpatient hospital departments, or physician offices – provides the most value (in terms of cost and quality) to beneficiaries and the Medicare program?

### **KEY POINTS:**

- Medicare has covered certain surgical procedures provided in free-standing or hospital-based ASCs since 1982. These procedures are also covered in the inpatient and outpatient hospital setting and some of them are covered in physician offices.
- The number of Medicare-certified ASCs more than doubled between 1991 and 2001 (from 1,460 to 3,371). Most facilities are for profit, freestanding, and located in urban areas.
- The volume of procedures performed in ASCs grew by over 200 percent from 1990 to 2000, outpacing growth in surgical procedures provided in hospital inpatient and outpatient settings.
- The most common services performed in ASCs are cataract removals, other eye procedures, and endoscopic procedures.
- Medicare pays for facility services provided in an ASC using a fee schedule that divides procedures into eight payment groups.
- The current rates are based on a 1986 survey of ASC costs and charges and are updated on an annual basis using the consumer price index.
- Payment rates for several high-volume ASC procedures are higher when performed in an ASC than in an outpatient department or physician office.
- In 1998, CMS proposed rebasing the rates using a 1994 cost survey and restructuring the rates to make them more consistent with the outpatient prospective payment system. Since then, legislation required CMS to postpone implementing this new payment system, the outpatient payment system was substantially modified, and a revised version of the proposed ASC payment system has yet to be implemented.

### **ACTION:**

We are seeking Commissioners' comments on the questions we are raising about the ASC payment system and whether there are other issues we should address.

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